

INDUSTRY UPDATE

Biweekly Period Ending January 27, 2001

Phoenix Metro Area

Manufacturing

As part of a consolidation of its operations, a Minnesota-based electric-circuit maker expects to save \$10 million a year by **closing its manufacturing operation in Chandler. Innovex Inc.**, which employs 4,700 worldwide, will **lay off 260 Valley production workers by July 1**, but will keep 60 employees for design work, customer service, and supply-chain management. About half of the Chandler manufacturing jobs will be transferred to factories in Minnesota.

Builders of a **new home** for the **Arizona School of Health Sciences in Mesa** will also attempt to **jump-start** the Valley's emerging **biotech industry**, and with it, **attempt to create 2,000 high-paying jobs**. The Arizona School of Health Sciences, which is a subsidiary of the Kirksville (Mo.) College of Osteopathic Medicine, will move from Glendale in August to a 100,000-square-foot facility at the 89-acre **Arizona Health and Technology Park** at Recker and Baseline roads. Two-thirds of the campus, which is being patterned after ASU Research Park in Tempe, will be sold to at least one specialty hospital and to biotech manufacturing and research organizations. The school, which teaches alternative forms of medical healing, hopes to serve as a catalyst to promote research and development in the biotech sector.

Construction

Intel Corp. will **delay building** a \$41 million, 320,000-square-foot **office building and visitors' center in Chandler** due to the softening economy, the giant semiconductor manufacturer said. The Santa Clara, Calif.-based company, however, will continue

work on a \$2 billion computer-chip fabrication facility (Fab 22) in Chandler, where it employs about 10,000 workers at several different sites. Intel expects Fab 22 to be completed by the end of the year.

Several major construction projects are underway or planned for the **central Phoenix corridor**. **Park Central Mall**, which is now primarily an office complex, plans to construct a **nine-story office/telecommunications-equipment building** starting in **June**. Called **Park Central Tech**, the 250,000-square-foot building will include several fiber-optic lines. **Ryan Cos.** has already **started work** on a **20-story office tower** at Central Avenue and Washington Street that will house the corporate offices of Phelps Dodge Corp. The \$78 million **Phelps Dodge Tower at One Central** is expected to be **completed by late 2001**. Projects on the drawing board include **800 high-end apartments and condominiums** (to go with 1,350 built since 1998), a **light-rail system** on Central Avenue from Camelback Road south to downtown Phoenix, and a **75-acre park** on the former Phoenix Indian School property at Central Avenue and Indian School Road. Construction of the light-rail line, which is still a couple of years off, is expected to spur other development and higher office occupancy rates.

Trade

UnitedAuto, which owns a half-dozen car dealerships in the Valley and several others around the country, plans to **build a \$100 million auto complex** and test track in **north Scottsdale**. The 41-acre site on a former Arabian horse farm on north Scottsdale Road will **include Premier Auto Group**, a division of Ford featuring Lincoln, Jaguar,

Aston-Martin, Land Rover, and Volvo models. Premier will take up about one-third of the acreage. Other new and relocating dealerships will make up the rest of the complex's tenants. The **first dealership** is expected to **open** in the **second half of 2001**, with **completion** of the complex planned for the **middle of 2002**.

Of note in **retail trade** in the Valley are the planned opening of a **new specialty food store** in Arizona, **expansion** of several **national chains**, and the **announcement** of more **retailers** for a **Chandler mall** that will open in the fall. Planning to make its first foray into Arizona is San Diego-based specialty grocery **Keil's Fresh and Healthy**, with the opening of a **store at 48th Street and Warner Road** in Ahwatukee in **early March**. Similar to a Wild Oats and Whole Foods, Keil's features organic meat, health and bulk foods, and gourmet cheeses. ... **Wal-Mart** is in the early phase of developing a **supercenter in Apache Junction** near the Apache Greyhound Park racetrack on Apache Trail near Ironwood Drive. It would be the fourth supercenter location in the east Valley for the nation's largest retailer. No construction date has been set. ... The **Cheescake Factory**, **Barnes & Noble**, and **P.F. Chang's China Bistro** have committed to the 1.3-million-square-foot **Chandler Fashion Center**, currently under construction at **Loop 101 and Chandler Boulevard**. **Barnes & Noble** will be the **mall's fifth anchor store**, while the Valley's third Cheescake Factory will be inside the mall and P.F. Chang's will be located outside in a separate boutique area called the **Boulevard Shops**. The 320-acre shopping complex, which includes a 20-screen Harkins Theaters, is scheduled to **open in October**. ... **The Shops at Gainey Village**, which will **open in May**, has **leased 62 percent of its space**, in many cases to stores that are relocating from other Valley high-end shopping centers. The **opening of five restaurants** at the trendy shopping complex at Scottsdale and Doubletree Ranch roads has been part of the lure to switch locations for stores such as **Judy AZ, Jaeger, Objects, and Two Plates Full**.

Finance, Insurance, and Real Estate

On the heels of **laying off 90 employees** in mid-January, Scottsdale-based **Finova Group Inc.** learned it will **not receive** a much-needed **infusion of cash**. A lender to mid-sized businesses, Finova has struggled of late because of several bad loans, including a \$70 million debt it wrote off in March 2000. In December, **Leucadia National Group** of New York had signed a letter of agreement to invest \$350 million in Finova. But Leucadia **backed out** when details of a restructuring agreement between Finova and its other debt holders could not be worked out.

Services

The **Gila River Indian Community** will up-the-ante in the high-end Valley hotel business when it **begins construction** in late January of a **\$125 million resort** near its casino 15 miles south of Phoenix. The Gila River reservation, which has operated two casinos since 1993, plans a **500-room hotel, spa, and 36 holes of golf**. The Gila River tribe, however, is not the first Phoenix-area tribe to jump into the resort business. The nearby **Ak-Chin tribe** is **opening a 144-room hotel in February** next to its Harrah's Ak-Chin Casino; the **Fort McDowell tribe** near Fountain Hills has **proposed a 500-room hotel** near its casino; and the **Salt River Pima-Maricopa Indian Community** has a **36-hole professional golf course** near one of its two casinos. Making competition tougher for Valley resort owners has been the opening of 1,700 high-end rooms in the Scottsdale/northeast Phoenix area in the past two years. And **Valley resorts** are **worried** that **gaming**, which is not allowed off-reservation, **will be used to subsidize Indian resorts**, giving the tribes a competitive advantage.

U.S. Bankruptcy Court has given approval to **Tesseract Group Inc.** to **sell the assets** of **two** of its three **Valley private schools** to parent groups in Ahwatukee and Paradise Valley that plan to continue operating the schools. The operator of private, charter, and

pre-kindergarten schools, Tesseract filed for Chapter 11 bankruptcy protection in October. The Scottsdale-based educational-services company has been unable to find buyers for its charter and Sunrise preschool schools.

Tucson Metro Area

Manufacturing

Chamberlain Manufacturing, a maker of **garage-door openers**, appears **ready to expand** after it **moved** into a new \$4 million, 45,000-square-foot **warehouse and technical support center** in early January. The Nogales, Mexico-based company **employs about 100 workers** at **Tucson's Airport Commerce Center**, 6020 S. Country Club Road. Chamberlain also has a 120,000-square-foot distribution center adjacent to the new facility.

Finance, Insurance, and Real Estate

In early January, **Long Realty Co. purchased the residential division of Tucson Realty and Trust Co.**, the city's oldest real estate firm. When the merger is complete in a year, **Long** will have about **1,000 sales associates** and 40 percent of the southern Arizona residential market (\$2.1 billion in annual sales). **No layoffs are expected.** Besides 15 offices in Tucson, Long Realty has locations in Oro Valley, Green Valley, Sierra Vista, and Bisbee. The commercial and property management portion of Tucson Realty will be retained by the company's owner, George H. Amos III.

Services

America Online is expected to **add 200 employees by summer** after it **opened** in late January its **third Tucson technical-support facility**, at 5421 E. Williams Blvd. Since 1998, the world's largest Internet service provider has grown from 400 to 1,000 employees in the Tucson area. The latest **support center** will **house** not only **call-center workers**, but also **technical-development specialists**. Customer-support workers make a starting

wage of \$7.50 to \$8 an hour, while technical-development specialists start at between \$11 and \$12 an hour.

Artisoft, formerly a networking company with a significant presence in Tucson, has been **renamed SpartaCom** after the Tucson division was **purchased** by French company **Prologue Software Group**. Although it currently only employs 40, SpartaCom appears on a strong growth track with the introduction this year of several new product lines, including strong encryption software (that can lock down a computer and prevent access to its data) and business-to-business communication software.

Tucson General Hospital, which has been under U.S. Bankruptcy Court protection since October, was **ordered** by a federal judge to be **liquidated** by its former owner, Tenet HealthSystem. Tenet sold the hospital to Tucson Clinical Care in December 1999, but the locally-owned company and owner of several nursing homes was unable to make the hospital profitable. According to a story in *The Arizona Daily Star*, there is **at least one potential buyer for the hospital**, which was **shut down** in October by the Arizona Department of Health Services because the hospital was **unable to pay its electric bills**.

INDUSTRY UPDATE

Industry Update is produced biweekly as a stand-alone publication and quarterly as part of *Arizona Economic Trends* by the Arizona Department of Economic Security, Research Administration. *Industry Update* is a compilation of public announcements and articles from newspapers and periodicals about business events significant to Arizona labor markets. Due to space limitations, however, an exhaustive list of industry news is not feasible. In addition, DES, Research Administration is not responsible for incorrect information reported by these sources. For more information, contact DES, Research Administration by writing to 1789 W. Jefferson St., Site Code 733A, Phoenix, AZ 85007, or calling (602) 542-3871.
